

**MINUTES**  
**INVESTMENT COMMITTEE MEETING**  
**RETIREMENT BOARD OF TRUSTEES**  
**CITY OF BATON ROUGE AND PARISH OF EAST BATON ROUGE**  
**EMPLOYEES' RETIREMENT SYSTEM**  
**SEPTEMBER 15, 2021**

The Investment Committee meeting was held in the boardroom of the Retirement Office at 209 Saint Ferdinand Street, and was called to order at 1:02 p.m. by Investment Committee Chairman Mr. Mark LeBlanc. Committee members present: Mr. David West and Mr. J Daniels. Absent: None. Other Board members present: None. Staff present: Mr. Jeffrey Yates, Mr. Russell Smith, Mr. Kyle Drago, and Mr. Mark Williams. Others present: Mr. Jon Breth – AndCo.

Mr. Drago called the roll.

The chairman introduced Item 1, Preliminary Comments by AndCo Regarding Hedge Fund of Funds Presentations, and recognized Mr. Jon Breth of AndCo. Mr. Breth stated that AndCo had put together an analysis of several hedge fund-of-funds managers, including Magnitude, and from that analysis, the Committee seemed most interested in Evanston and Corbin, based on the contrasting elements from Magnitude. He noted that both firms take on a small amount of additional risk, but add substantially more return than the incumbent. He also reminded the committee that a full redemption from Magnitude had been requested for December 31, 2021. Both funds being considered would be targeting 8% to 10% returns, and seek to give equity-like returns with bond-like volatility. Mr. Breth contrasted the two presenting firms regarding how they build out their underlying funds. He also contrasted the two firms' client base, and noted that both firms consistently have outperformed the benchmark.

Under Item 2, the first presenters were Mr. Lance Donenberg and Mr. Adam Blitz representing the Evanston Capital Management Weatherlow Fund. Mr. Donenberg stated the purpose of the firm over the 19 years of existence. He noted that the fund had never had a rolling 3-year negative period of returns. He stated that the firm was 100% employee owned, has 27 employees, 12 with equity in the firm. The firm is skeptical about hedge fund firms, and spends a great deal of time researching to find funds that have a competitive edge. They like to invest early in funds that have just launched, as well as some funds that no longer have capacity for general investors. The investment team has years of continuity together. He briefly discussed the client base which is all US based and totals about 650. Mr. Blitz then discussed performance over various time horizons and noted that volatility was bond-like at about 6%. He noted that the firm has been successful in capturing most of the upside and much less of the downside in the markets in the multi-asset portfolio. He stated that close to 95% of individual hedge funds underperform when you factor in the fees they charge. Evanston's job is to find those that can truly add value, usually in the form of smaller and newer funds that can find value with their expertise. He also discussed how the hedge fund personnel and management is evaluated, as well as the risk assumed in the portfolio, and the use of leverage. He discussed how the evaluation process worked for hedge funds, and stated that the firm would have hundreds of evaluations during the course of a year, looking heavily at the climate of the fund and its personnel. Operational due diligence is also evaluated, and the end result is about 3 or 4 new investments during each year. He noted that COVID had restricted the number of site visits they can do, but they have substituted with ZOOM meetings and phone conferences. The Weatherlow Fund was launched in 2002 and represents \$4.3 billion of the firm's \$4.8 billion assets under management. Mr. Blitz then detailed the strategies used in the underlying funds and the economic factors that he expected to come into play for the fund. He noted the geographical diversity of the fund with 60% of investments in the US and 40% outside the US. The firm aggressively negotiates fees with the hedge funds, and recently added 84 basis points to the return because of this. Turnover among the managers is about 15% to 20% annually because of style drift, cultural change, and performance. The firm cannot have over 30 funds in the portfolio. Mr. Blitz gave an example of a firm that checked out as very attractive and the process of bringing them into the fold, as well as working out a special fee arrangement. The fee arrangement for CPERS was discussed with a graduated scale, and a hurdle rate. Mr. Blitz stated that he was confident that a pipeline of fresh ideas would continue in the future, and that the fund could grow to about \$6 billion and not be affected by capacity issues.

The next presenters were Mr. Ralph Vasami and Mr. Craig Bergstrom from Corbin Capital Partners, LP, specifically representing the Pinehurst Institutional Fund. Mr. Vasami began by giving a profile of Corbin and noting that the firm was 37 years old, independently owned, and therefore not subject to a parent firm's philosophy. The investment process drives Corbin, and the growth has been consistent over the years, to the current level of \$9.2 billion for the total firm assets under management. The culture is that of a smaller firm, with a team that has been together for many years. The firm has several Louisiana clients. Mr. Bergstrom stated that Corbin was absolutely trying to deliver excess returns after fees through asset allocation, manager selection, and the implementation toolkit. Risk is an important concern when seeking to deliver excess returns, but the firm will carry higher volatilities in order to generate the excess returns. Corbin maintains certain concentrations of funds to generate alpha, but also reasonably diversifies to manage volatility. Mr. Bergstrom then detailed how the firm generates return, first by asset allocation, or balancing assets between carefully selected underlying funds. Corbin will not invest in a fund they cannot get a deep level of understanding in for the 25 or so managers they invest in. With its concentrated portfolio of funds, turnover dictates that they look for about 4 new funds each year, and the funds' strategies must be ones Corbin can understand completely. Another tool they use is to invest with a manager but not with the entire fund, but instead with one specific strategy or aspect of the fund, which creates advantages for fees. The firm can also be nimble and move quickly in and out of the fund. The fund contains a combination of well-established funds, as well as emerging funds. He gave examples of specific funds and how they had impacted alpha. Regarding capacity issues, Mr. Bergstrom stated that they must strike a balance between being big enough to drive

meaningful investments, but small enough to still be nimble and negotiate fee arrangements with new funds. Although the Pinehurst fund is currently at \$2.3 billion, he stated that they could comfortably run about \$3.5 - \$4 billion. The firm's client base includes public pensions, endowments, and high net worth families, but because of how the firm is marketed, most clients come onboard through investment consultants. The pipeline of new funds is driven by relationships and reputation built over the years, and starts with about 200 meetings, and narrows to about 4 new funds each year. Mr. Vasami stated that the fund's liquidity was quarterly, and fees would run 85 basis points.

Following the presentations the committee compared and contrasted the two firms. Mr. Breth stated that it was tough to decide between the two firms because both had produced similar excess returns. Management fee is very similar for the two, and there is very little overlap in the underlying funds. The possibility of hiring both firms was discussed, with Mr. Breth pointing out that this would double the load for screening and negotiating contracts. It was noted that CPERS normally splits a mandate when the two managers differ by strategies, such as City of London and SBH in the emerging markets space. It was noted that Corbin's fee would hold up even if one-half of the assets were committed to them. Leverage of the two firms was also discussed, and it was agreed that both firms viewed leverage the same way. It was noted that Evanston had outperformed Corbin over time, and that they employed funds that are new and can offer better fee structures. After exchanging observations by the committee, the staff, and Mr. Breth, the consensus seemed to favor Evanston for the entire allocation.

**Motion by Mr. West, seconded by Mr. Daniels to recommend to the Board that the entire hedge fund of funds allocation be assigned to Evanston Weatherlow Fund, pending successful negotiation of the contract.**

**No discussion and no objections.**

**Motion passed by those members present.**

Seeing no other items on the agenda, the chairman called for a motion to adjourn.

**Motion by Mr. Daniels, seconded by Mr. West to adjourn the meeting at 3:32 p.m.**

**No discussion and no objections.**

**Motion passed by those members present.**

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**MARK LEBLANC**  
**CHAIRMAN, INVESTMENT COMMITTEE**

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**JEFFREY R. YATES**  
**RETIREMENT ADMINISTRATOR**